

Message Text

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ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-05 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 8725

INFO AMCONSUL HONG KONG

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E.O. 11652: N/A

TAGS: EGEN, EFIN, RP

SUBJECT: PHILIPPINE BALANCE OF PAYMENTS

1. OCTOBER FIGURES CONFIRM CONTINUED PHILIPPINE BALANCE OF TRADE AND BALANCE OF PAYMENTS DEFICITS. ACCORDING TO CENTRAL BANK FIGURES, TRADE DEFICIT ON PAYMENTS BASIS FOR OCTOBER AMOUNTED TO \$71 MILLION, DOWN ABOUT ONE-HALF FROM THE SEPTEMBER DEFICIT OF \$149 MILLION. OVERALL PAYMENTS DEFICIT FOR OCTOBER WAS \$11 MILLION, LESS THAN ONE-FIFTH THE SEPTEMBER DEFICIT OF \$64 MILLION.

2. THE STRONG PERFORMANCE OF THE PHILIPPINE EXTERNAL SECTOR IN THE FIRST HALF OF 1974 HAS TURNED DISTINCTLY SOUR. THE SUCCESSION OF MONTHLY DEFICITS BEGINNING AT MID-YEAR HAS REDUCED THE COUNTRY'S CUMULATIVE 1974 BALANCE OF PAYMENTS SURPLUS THROUGH OCTOBER TO \$52 MILLION, COMPARED TO \$198 MILLION AT THE END OF JUNE. THE TRADE DEFICIT, WHICH STOOD AT NEGATIVE \$51 MILLION AT THE END OF JUNE, HAS RISEN TO NEGATIVE \$342 MILLION THROUGH OCTOBER, COMPARED TO A SURPLUS

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OF \$313 MILLION FOR THE SAME MONTHS OF 1973. FURTHERMORE,

CALCULATION OF THE TRADE DEFICIT ON A PAYMENTS BASIS
PROBABLY UNDERSTATES THE AMOUNT OF THE TRADE DEFICIT
BY 10 TO 20 PERCENT BECAUSE OF THE RISING LEVEL OF
OUTSTANDING LETTERS OF CREDIT.

3. THE GOVERNMENT HAS PROJECTED THAT A PAYMENTS DEFICIT
OF AROUND \$100 MILLION WILL OPEN UP BY THE END OF THE
YEAR AND THAT THE TRADE DEFICIT WILL RISE TO ABOUT
\$500 MILLION. ITS PROJECTIONS ASSUME THE ADVERSE TREND
WHICH BEGAN IN JULY WILL CONTINUE BUT NOT INTENSIFY.
EVEN IF THE ECONOMY DOES AS WELL AS FORECAST, THE JULY
TO DECEMBER BALANCE OF PAYMENTS PERFORMANCE OF THE
PHILIPPINES WOULD NEVERTHELESS BE THE POOREST PERFORMANCE
OF THE ECONOMY OVER A SIX MONTHS PRIOD IN THE COUNTRY'S
HISTORY.
SULLIVAN

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